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HOUSING AUTHORITY OF THE
CITY OF LAKE CHARLES
Lake Charles, Louisiana

Financial Statements
And Supplementary Information

For the Year Ended September 30, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5-9-07

**HOUSING AUTHORITY OF THE CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANA**

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Tax
Accounting and Auditing
Financial Planning and Forecasting
Estate Planning
Management Advisory Services
Small Business Accounting Services



DUNN, ROBERTS
& COMPANY, LLC

Independent Auditors' Report

Board of Commissioners
Housing Authority of The City
of Lake Charles
Lake Charles, Louisiana 70601

Regional Inspector General for Audit
Department of Housing and Urban
Development
221 W. Lancaster Street, P.O. Box 2905
Fort Worth, Texas 76113

MEMBERS

Robert G. Dunn
CPA

Sara A. Roberts
CPA

Donita G. Helms
CPA

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of The City of Lake Charles as of and for the year ended September 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Housing Authority of The City of Lake Charles. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of The City of Lake Charles as of September 30, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2007 on our consideration of the Housing Authority of The City of Lake Charles' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



DUNN, ROBERTS
& COMPANY, LLC

The management's discussion and analysis on pages 5 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information, and accordingly, express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying information identified in the table of contents as supplemental information including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Financial Data Schedule required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Housing Authority of The City of Lake Charles. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Dunn, Roberts & Company, LLC

DUNN, ROBERTS & COMPANY, LLC

Lake Charles, Louisiana
March 15, 2007

Housing Authority of the City of Lake Charles, Louisiana

Management's Discussion and Analysis (MD&A)

September 30, 2006

(Unaudited)

We the management of the Housing Authority of The City of Lake Charles present the following discussion and analysis of the Housing Authority's financial activities for the fiscal year ending September 30, 2006. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Housing Authority's audited financial statements, which follows.

FINANCIAL HIGHLIGHTS

- The assets of the Housing Authority exceeded its liabilities at September 30, 2006 by \$24,619,729.
- Of this amount, \$8,370,627 of unrestricted assets may be used to meet the Housing Authority's ongoing obligations to citizens and creditors.
- The remainder of \$16,249,102 represents the net amount invested in land, building, furnishings, leasehold improvements, and equipment, of \$15,066,806, and restricted cash and investments of \$1,182,296.
- The Housing Authority's total net assets increased by \$4,693,238, a 24% increase from fiscal year 2005.
- The Housing Authority continued to operate without the need for debt borrowing during the current fiscal year.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Housing Authority's financial statements. The Housing Authority's basic financial statements are comprised of two components. 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Housing Authority is a special purpose government engaged only in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements.

The financial statements are designed to provide readers with a broad overview of the Housing Authority's finances in a manner similar to a private sector business.

The balance sheet presents information on all of the Housing Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Housing Authority is improving or deteriorating, or otherwise changing in a dramatic manner.

Housing Authority of The City of Lake Charles, Louisiana

Management's Discussion and Analysis (MD&A)

September 30, 2006

(Unaudited)

The statement of revenue, expenses and changes in fund net assets presents information detailing how the Housing Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., depreciation and earned but unused vacation leave.).

The statement of cash flows provides information about the Housing Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

These financial statements report on the functions of the Housing Authority that are principally supported by intergovernmental revenues. The Housing Authority's function is to provide decent safe, and sanitary housing to low-income and special needs populations, which is primarily funded with grant revenue received from the U. S. Department of Housing and Urban Development (HUD) and dwelling rentals.

MAJOR PROGRAMS

The Housing Authority has many programs that are consolidated into a single enterprise fund. The major programs consist of the following:

Low Income Public Housing - Under the Conventional Public Housing Program, the Housing Authority rents units it owns to low-income families. The Conventional Public Housing Program is operated under an Annual Contribution Contract (ACC) with HUD, and HUD provides an Operating Subsidy to enable the Housing Authority to provide housing at a rent that is based upon 30% of adjusted gross household income. This program is aggregated in the general fund.

Capital Fund Program - The Conventional Public Housing Program also included the Capital Fund Program, the primary funding source for the Housing Authority's physical and management improvements. The formula funding methodology is based on size and age of the Housing Authority's units. This program is aggregated in the general fund.

Section 8 Housing Assistance - Housing Choice Vouchers, Shelter Plus Care and Moderate Rehabilitation - These programs assist low-income families in affording decent safe and sanitary housing by encouraging property owners to construct new, or rehabilitate existing substandard housing, and then lease the units with rental subsidies to low-income families.

Management fund - The Management Fund accounts for the activities for which the Housing Authority collects management fees from various projects it manages and rental income from owned office/commercial space and disburses general business expenses associated with those activities.

FINANCIAL ANALYSIS

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Housing Authority of The City of Lake Charles, Louisiana

Managements Discussion and Analysis (MD&A)

September 30, 2006

(Unaudited)

The Housing Authority utilizes only one fund type, namely an enterprise funds which are a proprietary fund type. A proprietary fund utilizes the full accrual method of accounting in which all assets and all liabilities associated with the operation of this fund is included on the balance sheet. The focus of the proprietary fund is on income measurement, which, together with the maintenance of equity, is an important financial indication. The financial statements can be found on pages 11 through 15 of this report.

Notes to the Financial Statements

Notes provide additional information essential to a full understanding of the data provided in the financial statements. Notes to the financial statements can be found on pages 16 through 29 of this report.

Balance Sheet

The following table represents a condensed Balance Sheet as of September 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Current Assets	\$ 10,196,593	\$ 3,920,854
Restricted Assets	1,320,413	1,132,798
Fixed Assets	15,066,806	15,772,841
Other Assets	<u>-</u>	<u>1,392</u>
Total Assets	<u>\$ 26,583,812</u>	<u>\$ 20,827,885</u>
Current Liabilities	\$ 1,677,035	\$ 623,958
Current liabilities payable for restricted assets	138,117	143,913
Non-current Liabilities	<u>148,931</u>	<u>133,523</u>
Total Liabilities	<u>1,964,083</u>	<u>901,394</u>
Net Assets:		
Invested in capital assets	15,066,806	15,772,841
Restricted net assets	1,182,296	988,885
Unrestricted net assets	<u>8,370,627</u>	<u>3,164,765</u>
Total Net Assets	<u>24,619,729</u>	<u>19,926,491</u>
Total Liabilities and Net Assets	<u>\$ 26,583,812</u>	<u>\$ 20,827,885</u>

continued

Housing Authority of The City of Lake Charles, Louisiana

Management's Discussion and Analysis (MD&A)

September 30, 2006

(Unaudited)

Balance Sheet (Continued)

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Housing Authority, assets exceeded liabilities by approximately \$24,619,729 at September 30, 2006 and \$19,926,491 at September 30, 2005.

By far the largest portion of the Housing Authority's net assets (61%) reflects its investments in capital assets (e.g., buildings, machinery, and equipment). The Housing Authority uses these capital assets to provide housing services to residents; consequently, these assets are not available for future spending. The unrestricted net assets of the Housing Authority are available for future use to provide program services.

Statement of Revenues, Expenses, and Changes in Fund Net Assets

The following table represents a condensed Statement of Revenues, Expenses, and Changes in Net Assets for the year ended September 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Revenues		
Dwelling rental and other	\$ 2,019,073	\$ 1,763,327
Interest Earnings	274,153	122,823
Gain (Loss) on disposition of capital assets	(5,277)	357
Federal grant	<u>11,530,392</u>	<u>9,081,089</u>
Total Revenue	13,818,341	10,967,596
Expenses		
Administration	1,505,039	1,310,086
Tenant service	324,940	322,644
Utilities	391,424	397,937
Ordinary maintenance and operations	1,228,540	1,474,027
Protective services	92,030	129,793
General expenses	646,984	619,911
Nonroutine maintenance	6187	76,930
Housing assistance payments	4,219,633	6,776,390
Depreciation	<u>1,482,591</u>	<u>1,452,505</u>
Total Expenses	<u>9,897,368</u>	<u>12,560,223</u>

continued

Housing Authority of The City of Lake Charles, Louisiana

Managements Discussion and Analysis (MD&A)

September 30, 2006

(Un-audited)

Statement of Revenues, Expenses, and Changes in Net Assets-Continued

	<u>2006</u>	<u>2005</u>
Net Income (loss) before Contributions and Transfers	3,920,973	(1,592,627)
Capital contributions	<u>772,265</u>	<u>1,571,369</u>
Net increase (decrease) in net assets	<u>\$ 4,693,238</u>	<u>\$ (21,258)</u>

The net assets of the Housing Authority increased by \$ 4,693,238 and decreased by \$ 21,258 during the years ended September 30, 2006 and 2005 respectively. The Housing Authority's revenues are derived primarily from dwelling rental income and various HUD programs. The Housing Authority's revenues were sufficient to cover all expenses incurred during the year (excluding depreciation expense).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2006, the Housing Authority's investment in capital assets for its business-type activities was approximately \$ 15,066,806 (net of accumulated depreciation) compared to \$ 15,772,841 as of September 30, 2005 a decrease of \$706,035 or 4.5%.

	<u>2006</u>	<u>2005</u>
Land	\$ 793,281	\$ 793,281
Buildings	15,513,369	15,513,369
Furniture, equipment and machinery	1,785,442	1,865,814
Improvements	25,334,506	24,585,916
Accumulated Depreciation	<u>(28,359,792)</u>	<u>(26,985,539)</u>
Total	<u>\$ 15,066,806</u>	<u>\$ 15,772,841</u>

Major capital asset purchases during the year ended September 30, 2006 include dwelling structure improvements and development activity.

Additional information on the Housing Authority's capital assets can be found in Note 5 on page 25 of this report.

Debt

Non-current liabilities include accrued annual vacation and sick leave to employees. The Housing Authority has not incurred any mortgages, leases or bond indentures for financing capital assets or operations.

**Housing Authority of the City of Lake Charles, Louisiana
Management's Discussion and Analysis (MD&A)**

September 30, 2006

(Un-audited)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by the Federal budget than by local economic conditions. HUD has already approved the Budgets for 2006/2007.

The Housing Authority suffered substantial damages as a result of Hurricane Rita on September 23, 2005. Two units were totally destroyed and 610 units were severely damaged. The Authority continues to work with its insurers and has received adequate funds from insurers and the HUD Emergency Capital Grant Fund to totally restore all damaged units.

The Housing Authority's revenue for the year ended September 30, 2006 was impacted by the temporary loss of these units and a significant number of Section 8 units. The long-term effects on the Authority cannot be determined at this time.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Housing Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Housing Authority of the City of Lake Charles, P.O. Box 1206, Lake Charles, LA 70602 or call (337) 439-4189.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

ENTERPRISE FUNDS
Balance Sheet

September 30, 2006

	General	Section 8	Management	Totals Primary Government
ASSETS				
Current assets				
Cash	\$ 1,013,749	\$ 2,766,938	\$ 974,172	\$ 4,754,859
Investments	920,000	2,371,176	106,014	3,397,190
Interest receivable	7,629	24,957	943	33,529
Accounts receivable, net	148,018	894,662	319,666	1,362,346
Interfund receivable	81,316	280,719	-	362,035
Inventory	21,241	-	-	21,241
Prepaid items and other assets	191,006	33,369	41,018	265,393
Total current assets	<u>2,382,959</u>	<u>6,371,821</u>	<u>1,441,813</u>	<u>10,196,593</u>
Restricted assets				
Replacement cash reserve	-	-	218,050	218,050
Security deposits	123,733	-	14,384	138,117
Investments	956,092	-	-	956,092
Accrued interest receivable	8,154	-	-	8,154
Total restricted assets	<u>1,087,979</u>	<u>-</u>	<u>232,434</u>	<u>1,320,413</u>
Capital assets, net				
Land	731,054	-	62,227	793,281
Buildings and equipment, net	<u>12,217,969</u>	<u>25,846</u>	<u>2,029,710</u>	<u>14,273,525</u>
Total capital assets, net	<u>12,949,023</u>	<u>25,846</u>	<u>2,091,937</u>	<u>15,066,806</u>
Other assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 16,419,961</u></u>	<u><u>\$ 6,397,667</u></u>	<u><u>\$ 3,766,184</u></u>	<u><u>\$ 26,583,812</u></u>

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

ENTERPRISE FUNDS
Balance Sheet

September 30, 2006

	<u>General</u>	<u>Section 8</u>	<u>Management</u>	<u>Totals Primary Government</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 188,202	\$ 21,086	\$ 21,549	\$ 230,837
Interfund payable	29,543	318,418	14,074	362,035
Accrued liabilities	38	-	-	38
Other liabilities	510,662	33,775	523,438	1,067,875
Current portion of long term debt	11,450	4,039	761	16,250
Total current liabilities	<u>739,895</u>	<u>377,318</u>	<u>559,822</u>	<u>1,677,035</u>
Current liabilities payable from current restricted assets				
Deposits due others	123,733	-	14,384	138,117
Noncurrent liabilities				
Compensated absences payable	103,050	39,034	6,847	148,931
Total liabilities	<u>966,678</u>	<u>416,352</u>	<u>581,053</u>	<u>1,964,083</u>
NET ASSETS				
Invested in capital assets, net of related debt	12,949,023	25,846	2,091,937	15,066,806
Restricted	964,246	-	218,050	1,182,296
Unrestricted	1,540,014	5,955,469	875,144	8,370,627
Net assets	<u>15,453,283</u>	<u>5,981,315</u>	<u>3,185,131</u>	<u>24,619,729</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,419,961</u>	<u>\$ 6,397,667</u>	<u>\$ 3,766,184</u>	<u>\$ 26,583,812</u>

The notes to the financial statements are an integral part of this statement.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

ENTERPRISE FUNDS
Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Year Ended September 30, 2006

	General	Section 8	Management	Total Primary Government
OPERATING REVENUES				
Dwelling rental	\$ 1,342,745	\$ -	\$ 223,674	\$ 1,566,419
Office rental	-	-	106,318	106,318
Management fees	1,660	228,509	97,118	327,287
Other	-	19,049	-	19,049
Total operating revenues	<u>1,344,405</u>	<u>247,558</u>	<u>427,110</u>	<u>2,019,073</u>
OPERATING EXPENSES				
Administration	689,930	760,919	54,190	1,505,039
Tenant services	280,973	38,895	5,072	324,940
Utilities	318,021	26,729	46,674	391,424
Ordinary maintenance and operation	1,036,656	101,126	90,758	1,228,540
Protective services	87,535	-	4,495	92,030
General expenses	471,779	62,973	112,232	646,984
Nonroutine maintenance	4,837	-	1,350	6,187
Housing assistance payments	-	4,219,633	-	4,219,633
Depreciation	1,380,448	7,776	94,367	1,482,591
Total operating expenses	<u>4,270,179</u>	<u>5,218,051</u>	<u>409,138</u>	<u>9,897,368</u>
Income (loss) from operations	<u>(2,925,774)</u>	<u>(4,970,493)</u>	<u>17,972</u>	<u>(7,878,295)</u>
Nonoperating revenues (expenses)				
Interest earnings	110,283	123,718	40,152	274,153
Gain (loss) on disposition of capital assets	(4,056)	-	(1,221)	(5,277)
Federal grants	1,454,388	10,076,024	-	11,530,392
Total nonoperating revenues (expenses)	<u>1,560,595</u>	<u>10,199,742</u>	<u>38,931</u>	<u>11,799,268</u>
Net income (loss) before contributions and transfers	<u>(1,365,179)</u>	<u>5,229,249</u>	<u>56,903</u>	<u>3,920,973</u>
Capital contributions	<u>772,265</u>	<u>-</u>	<u>-</u>	<u>772,265</u>
Change in net assets	<u>(592,914)</u>	<u>5,229,249</u>	<u>56,903</u>	<u>4,693,238</u>
NET ASSETS AT BEGINNING OF YEAR	<u>16,046,197</u>	<u>752,066</u>	<u>3,128,228</u>	<u>19,926,491</u>
NET ASSETS AT END OF YEAR	<u>\$ 15,453,283</u>	<u>\$ 5,981,315</u>	<u>\$ 3,185,131</u>	<u>\$ 24,619,729</u>

The notes to the financial statements are an integral part of this statement.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

ENTERPRISE FUNDS
Statement of Cash Flows

For the Year Ended September 30, 2006

	General	Section 8	Management	Total Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES				
Rental receipts	\$ 1,336,552	\$ -	\$ 302,827	\$ 1,639,379
Payments to vendors	(2,355,967)	(215,214)	(282,495)	(2,853,676)
Payments to employees	(689,930)	(760,257)	(54,190)	(1,504,377)
Other receipts (payments)	572,381	166,342	497,135	1,235,858
Payments to private landlords	-	(4,217,972)	-	(4,217,972)
Net cash provided by (used in) operating activities	(1,136,964)	(5,027,101)	463,277	(5,700,788)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Federal Grants	1,477,938	9,317,478	-	10,795,416
Net cash provided by (used in) noncapital financing activities	1,477,938	9,317,478	-	10,795,416
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital contributions	772,265	-	-	772,265
Purchase of capital assets	(775,619)	-	-	(775,619)
Proceeds from sales of capital assets	(4,056)	-	(3,506)	(7,562)
Net cash provided by (used in) capital and related financing activities	(7,410)	-	(3,506)	(10,916)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	1,484,138	449,844	-	1,933,982
Purchase of investments	(1,181,072)	(2,371,176)	(2,726)	(3,554,974)
Interest and dividends received	105,521	100,284	39,513	245,318
Net cash provided by (used in) investing activities	408,587	(1,821,048)	36,787	(1,375,674)
Net increase (decrease) in cash and cash equivalents	742,151	2,469,329	496,558	3,708,038
Cash and cash equivalents at beginning of year	395,331	297,609	710,048	1,402,988
Cash and cash equivalents at end of year	\$ 1,137,482	\$ 2,766,938	\$ 1,206,606	\$ 5,111,026

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

ENTERPRISE FUNDS
Statement of Cash Flows

For the Year Ended September 30, 2006

	General	Section 8	Management	Total Primary Government
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income (loss)	\$ (2,925,774)	\$ (4,970,493)	\$ 17,972	\$ (7,878,295)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,380,448	7,776	94,367	1,482,591
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable	(13,187)	(77,799)	(132,398)	(223,384)
(Increase) decrease in interfund receivables	85,438	(85,931)	8,115	7,622
(Increase) decrease in inventory	(4,450)	-	-	(4,450)
(Increase) decrease in prepaid items	(39,469)	(2,190)	(6,906)	(48,565)
(Increase) decrease in other assets	(521)	-	-	(521)
Increase (decrease) in accounts payable	(124,454)	17,092	(16,357)	(123,719)
Increase (decrease) in accrued expenses	(18,363)	(391)	55	(18,699)
Increase (decrease) in accrued liabilities	510,661	81,511	505,220	1,097,392
Increase (decrease) in interfund payables	-	-	(7,621)	(7,621)
Increase (decrease) in compensated absences	12,707	3,324	830	16,861
Net cash provided by (used in) operating activities	<u>\$ (1,136,964)</u>	<u>\$ (5,027,101)</u>	<u>\$ 463,277</u>	<u>\$ (5,700,788)</u>
 Reconciliation of cash and cash equivalents at end of year to Balance Sheet presentation:				
Cash	\$ 1,013,749	\$ 2,766,938	\$ 974,172	\$ 4,754,859
Replacement cash reserve	-	-	218,050	218,050
Security deposits	123,733	-	14,384	138,117
Cash and cash equivalents at end of year	<u>\$ 1,137,482</u>	<u>\$ 2,766,938</u>	<u>\$ 1,206,606</u>	<u>\$ 5,111,026</u>

The notes to the financial statements are an integral part of this statement.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2006

Note 1 - Organization and Summary of Significant Accounting Policies

The Housing Authority of The City of Lake Charles (the Authority) was incorporated April 25, 1940 under the authority of the Constitution and statutes (LSA:R.S. 40:381) of the state of Louisiana for the purpose of providing safe and sanitary dwellings accommodations in Lake Charles, Louisiana.

A. Financial Reporting Entity

GASB Statement 14, *The Financial Reporting Entity*, establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under the provisions of this Statement, the Authority is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments.

The Authority is a related organization of the City of Lake Charles since the Honorable Mayor of the City of Lake Charles appoints the Authority's governing board. The Authority's governing board is composed of five members appointed for staggered five-year terms. The City of Lake Charles is not financially accountable for the Authority as it is not able to impose its will on the Authority and there is no potential for the Authority to provide financial benefit to, or impose financial burdens on, the City of Lake Charles. Accordingly, the Authority is not a component unit of the financial reporting entity of the City of Lake Charles or any other governmental unit.

In determining how to define the reporting entity, management has considered all potential component units. Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Authority for financial reporting purposes. The criterion include manifestation of oversight responsibility; including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable.

Based on the previous criteria, the Authority has determined that there are no component units that should be considered as part of the Authority's reporting entity.

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2006

**Note 1 - Organization and Summary of Significant Accounting Policies
(Continued)**

A. Financial Reporting Entity (Continued)

Programs within the general and section 8 funds operated by the Authority receive federal financial assistance from the U.S. Department of Housing and Urban Development (HUD), and are subject to applicable laws and regulations. The operations of each fund are accounted for through a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Federal contributions are received and accounted for in the individual programs based upon the purposes for which they are to be spent. The Authority is not subject to income taxes.

A brief description of the various programs is as follows:

- Housing Authority Owned Rental Housing (FW-1132) - Approximately 833 units of low-income public housing is owned by the Housing Authority of The City of Lake Charles. Low Income is defined by published entry in the Federal Register per Standard Metropolitan Statistical Areas (SMSA). Tenants pay the highest of 30% of their adjusted income or 10% of monthly income for such housing.
- Section 8 Public Owned Rental Housing - Section 8 Public Housing is a program designed to allow private homeowners to lease their houses to low-income families. The rents are set by the Federal Government and published in the Federal Register and cannot be increased without HUD approval. Tenants pay the highest of 30% of their adjusted income or 10% of monthly income for such housing. The Housing Authority of The City of Lake Charles makes up the difference between the tenants portion of the rent and the Fair Market Rent as subsidy to the homeowner. Section 8 has evolved into two programs:

Housing Choice Vouchers (FW-2228V) – 1,542 units
Moderate Rehab (FW-2074) – 72 units

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2006

**Note 1 - Organization and Summary of Significant Accounting Policies
(Continued)**

A. Financial Reporting Entity (Continued)

- **PHA Owned Rental Housing** - PHA Owned Housing consists of approximately 123 units, which the Housing Authority of The City of Lake Charles has acquired through the Federal Home Loan Bank Affordable Housing Program. The basic Section 8 rules apply. The qualifications are the same income limits published in the Federal Register for Low Income Public Housing tenants. Tenants pay the highest of 30% of their adjusted income or 10% of monthly income for such housing.
- **Shelter Plus Care Housing** - This program provides for housing for homeless individuals and families with special disabilities. The basic Section 8 rules apply.
- **PHA Owned Rental Housing and Other Properties** - This program consists of PHA owned housing units and other properties acquired through management fees and earnings. Fair rental values are established and charged for the housing units but low-income guidelines do not apply.

B. Funds

The accounts of the Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

All funds of the Authority are classified as proprietary. The general fund accounts for transactions of the public housing low rent program and the capital fund program. The Section 8 fund accounts for transactions of the housing choice voucher program, the moderate rehab program, and the shelter plus care housing program. The management program accounts for owned housing and other properties and management fees received for which the Authority is the managing agent.

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2006

**Note 1 - Organization and Summary of Significant Accounting Policies
(Continued)**

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Authority has elected, pursuant to Governmental Accounting Standards Board (GASB) Statement 20, to apply all GASB pronouncements and only FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's funds are rent and maintenance charges to residents and administration fees earned. Operating expenses for proprietary funds include the administrative costs of providing the service and the housing assistance payments to residents. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2006

**Note 1 - Organization and Summary of Significant Accounting Policies
(Continued)**

D. Budgets

Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. Budgets are not, however, legally adopted nor legally required for financial statement presentation.

E. Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest-bearing demand deposits. The Authority considers all highly liquid transactions purchased with an original maturity of 90 days or less when purchased to be cash equivalents. The Authority had no cash equivalents at September 30, 2006. Under the regulatory agreement, the Authority is required to set aside amounts for the replacement of property and other project expenditures approved by HUD. HUD-restricted deposits, which approximate \$ 218,050 at September 30, 2006, are held in a separate account and generally are not available for operating purposes. The replacement reserve account is shown on the balance sheet as a restricted asset, and is considered to be part of cash.

F. Investments

Investments are limited by LSA-R.S. 33:2955 and the Authority's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments included certificates of deposits totaling \$4,353,282 of which \$956,092 is classified as restricted.

The investments are reflected at fair value except for the following, which are required/permitted as per GASB Statement No. 31:

1. Investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.
2. The Authority reported at amortized cost money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2006

**Note 1 - Organization and Summary of Significant Accounting Policies
(Continued)**

F. Investments (Continued)

Definitions:

Interest-earning investment contract include time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

G. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for services rendered. Services provided, deemed to be at market or near market rates, are treated as revenues and expenses. Additionally, transactions occur between individual funds as a result of the use of a common paymaster for shared costs of the Authority. Cash settlements are made periodically. These receivables and payables are classified as interfund receivables/payables.

H. Inventory

All purchased inventory items are valued at cost using first-in, first-out method. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed.

I. Prepaid Items

Payments made to vendors that will benefit periods beyond the fiscal year end are recorded as prepaid items.

J. Restricted Assets

Certain assets are classified as restricted assets on the balance sheet because their use is restricted for modernization programs, security deposits held in trust, and for the replacement of property and other project expenditures approved by HUD.

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2006

**Note 1 - Organization and Summary of Significant Accounting Policies
(Continued)**

K. Capital Assets

The Authority's purchased capital assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation. The Authority's policy is to capitalize significant items of equipment, major renovations, buildings, and real estate. The Authority capitalizes equipment and/or personal property with an initial cost of \$1,000 or more and an anticipated life or useful value of said equipment or property of more than one year. The capitalization threshold applies to all capital assets with the exception of ranges and refrigerators.

Straight-line depreciation is calculated in accordance with PHA-GAAP guidelines as follows:

Original buildings	40 years
Site improvements	15-40 years
Furniture, equipment, and machinery	5-10 years
Vehicles	5-10 years
Computers	3 years

When capital assets are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

L. Deferred Revenues

The Authority reports deferred revenues on its balance sheet. Deferred revenues arise when the Authority receives resources before it has a legal claim to them. In subsequent periods, when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

M. Compensated Absences

The Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Annual and sick leave is earned by each full-time and each part-time associate who has a regular tour of duty, except that no associate shall earn annual or sick leave while serving on restricted appointment or while using leave from an agency leave pool as defined in Rule 11.34.

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2006

**Note 1 - Organization and Summary of Significant Accounting Policies
(Continued)**

M. Compensated Absences (Continued)

The earning of such leave is based on the equivalent of years of full-time State service and shall be creditable at the end of each calendar month or at the end of each regular pay period based on graduated rates per hour. Accrued unused annual and sick leave earned by an associate shall be carried forward to succeeding calendar years. Upon separation from the Authority, an associate is paid the value of his accrued annual leave in a lump sum up to a maximum of 300 hours disregarding any final fraction of an hour; provided the privileges of this rule shall not extend to any associate who is dismissed for theft of Authority funds or property. Upon separation from the Authority, an associate is not compensated for sick leave.

N. Restricted Net Assets

Net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other financing sources and uses during the reporting period. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

The Authority's investments are limited to those allowed by state statute. At September 30, 2006, the Authority's investments consisted of certificates of deposit and mortgage-backed securities.

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2006

Note 2 - Deposits and Investments (Continued)

Custodial Credit Risk – Deposits: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of September 30, 2006, \$8,001,706 of the Authority's bank balances of \$9,352,402 was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging Banks' trust department not in the Authority's name	\$8,001,706
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Although the pledged securities are considered uncollateralized under the provisions of GASB Statement 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Authority that the fiscal agent has failed to pay deposited funds upon request.

Under state law, the Authority's demand deposits are required to be fully collateralized at all times. Acceptable collateralization includes Federal Deposit Insurance Corporation (FDIC), National Credit Union Share Insurance Fund (NCUSIF), Securities Investor Protection Corporation (SIPC), and pledged securities. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities are in the possession of an outside party. The Authority does maintain investment accounts at a financial institution. As of September 30, 2006, the Authority had \$200,000, with a fair value of \$193,844, in Federal National Mortgage Association, which was covered by federal depository insurance. The maturities of this investment are one to five years.

Interest Rate Risk: The Authority's policy does not address interest rate risk.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2006

Note 3 - Accounts Receivable

The accounts receivables at September 30, 2006 are as follows:

Class of Receivable	General	Section 8	Management	Total
Local sources:				
Tenants	\$ 26,717	\$ -	\$ 3,121	\$ 29,838
Other	13,007	363	-	13,370
Federal sources:				
Due from HUD	108,293	894,299	316,545	1,319,137
	<u>\$ 148,017</u>	<u>\$ 894,662</u>	<u>\$ 319,666</u>	<u>\$ 1,362,345</u>

The accounts receivable – other consists of balances due from other entities the Authority manages and consists of balances due from other entities that are commercial property tenants. The Authority expects to collect those balances in full. Included in tenants accounts receivable are repayment agreements for fraudulently reporting incorrect income amounts for past rental calculations.

Note 4 – Prepaid Items

Prepaid items as of September 30, 2006 consisted of prepaid insurance of \$265,393.

Note 5 – Capital Assets

Changes in capital assets and accumulated depreciation during the current year are as follows:

	9/30/2005			9/30/2006
	Cost	Additions	Dispositions	Cost
Land	\$ 793,281	\$ -	\$ -	\$ 793,281
Buildings	15,513,369	-	-	15,513,369
Furniture, equipment, and machinery	1,865,814	32,229	112,601	1,785,442
Site improvements	24,585,916	748,590	-	25,334,506
	<u>\$ 42,758,380</u>	<u>\$ 780,819</u>	<u>\$ 112,601</u>	<u>43,426,598</u>
Accumulated depreciation:				
Balance 09/30/05				26,985,539
Current year depreciation				1,482,591
Current year dispositions				<u>(108,338)</u>
Balance 09/30/06				<u>28,359,792</u>
Capital assets, net of accumulated depreciation				<u>\$ 15,066,806</u>

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2006

Note 6 – Interfund Receivables/Payables

The following schedule reports receivables and payables within the reporting entity at September 30, 2006:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General		
Housing Choice Vouchers	\$ 36,122	\$ -
Capital Grants	\$ 29,543	\$ 29,543
Moderate Rehab	1,577	-
Management	14,074	-
	<u>81,316</u>	<u>29,543</u>
Section 8		
Rental	-	316,841
Housing Choice Vouchers	280,719	-
Moderate Rehab	-	1,577
Management	-	-
	<u>280,719</u>	<u>318,418</u>
Management		
Rental	-	14,074
Housing Choice Vouchers	-	-
	<u>-</u>	<u>14,074</u>
Totals	<u>\$ 362,035</u>	<u>\$ 362,035</u>

Note 7 - Accounts Payable

The accounts payable at September 30, 2006 are as follows:

Class of Payable	General	Section 8	Management	Total
Vendors	\$ 12,987	\$ 21,086	\$ -	\$ 34,073
Contract Retentions	83,150	-	-	83,150
Due to Other Governments				
Payment in lieu of property tax	92,065	-	21,549	113,614
Payable to HUD	-	-	-	-
	<u>\$ 188,202</u>	<u>\$ 21,086</u>	<u>\$ 21,549</u>	<u>\$ 230,837</u>

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2006

Note 8 – General Long-Term Obligations

The following is a summary of the long-term obligation transactions for the year ended September 30, 2006, which consisted of, compensated absences:

Balance, beginning	\$ 148,087
Additions	24,030
Deductions	6,936
Balance, ending	<u>\$ 165,181</u>
Amounts due in one year	<u>\$ 16,250</u>

In the past the liability has been liquidated by the general fund.

Note 9 – Retirement Plan

The Authority participates in the Housing-Renewal and Local Agency Retirement Plan, which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, the Authority provides pension benefits for all of its full-time employees. All regular and full time employees are eligible to participate in the plan on the first day of the month after completing six months of continuous and uninterrupted employment. The Board of Commissioners of the Authority determines plan provisions and changes to plan contributions.

Under a defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions.

Under the plan, the Authority contributes 8.5% of the employee's basic (excludes overtime) monthly salary to the plan with the provision that the employee is required to contribute a minimum of 6%. The Authority's contribution for each employee and income allocated to the employee's account are fully vested after five years of continuous service. The Authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the Authority. Normal retirement date shall be the first day of the month following the employee's 65th birthday.

The Authority's total payroll for the year ended September 30, 2006 was \$1,406,278. The Authority's contributions were calculated using the base salary amount of \$ 1,249,913. The Authority made the required contributions of \$ 106,243 for the year ended September 30, 2006.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2006

Note 10 - Contingencies and Commitments

Litigation At September 30, 2006, the Authority was involved in a variety of litigation. It is the opinion of the legal advisor of the Authority that this litigation would not have a material effect on the financial statements and that any potential liability would be covered by insurance.

Grant Disallowances In the normal course of operations, the Authority receives grant funds from federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Management of the Authority believes that the amount of disallowances, if any, which may arise from future audits will not be material.

Construction Projects There are construction projects in progress at September 30, 2006, which include modernizing rental units. HUD funds these projects. Funds are requested periodically as the cost is incurred. The outstanding construction commitment was approximately \$ 2,723,080 as of September 30, 2006.

Note 11 – Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12 - Management Agreement

The Authority entered into a management agreement with Chateau du Lac Limited Partnership on November 24, 1981 whereby the Authority will have the duty of maintaining, servicing, repairing, promoting, publicizing, operating, and managing an apartment complex owned by Chateau du Lac Limited Partnership. The agreement calls for a management fee, from occupancy date, of 4 1/2% of gross rental income. Management fee income for the year ended September 30, 2006 was \$ 83,918.

Continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to Basic Financial Statements

September 30, 2006

Note 12 - Management Agreement (Continued)

In July 2001 the Authority received approval from the United States Department of Housing and Urban Development (HUD) to become the management agent of a second property. The Authority will have the duty of maintaining, servicing, repairing, promoting, publicizing, operating, and managing a housing complex owned by Willow Manor, Inc. The management fee set forth and approved by HUD, is 8.9% of residential income collected. Management fee income for the year ended September 30, 2006 was \$8,407.

Note 13 – Economic Dependence and Current Vulnerability Due to Certain Concentrations

Statement of Financial Accounting Standard (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenues. The Department of Housing and Urban Development provided \$12,302,657 to the Authority, which represents approximately 84% of the Authority's total revenue for the year.

The Authority's operations are concentrated in the public housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay the related cost, including additional administrative burden, to comply with a change.

During August and September of 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these two separate events and the resulting losses sustained, it is unknown exactly what economic impact recovery will have on state and local governmental operations in Louisiana. The Authority did incur damages to capital assets. The Authority estimates the costs of repairs or replacements to be covered by insurance. The long-term effects of these events directly on the Authority cannot be determined at this time.

SUPPLEMENTARY INFORMATION

Housing Authority of the City of Lake Charles
Lake Charles, Louisiana

FINANCIAL DATA SCHEDULE
For the Year Ended September 30, 2006

Line Item No.	Account Description	Business Activities	Shelter Plus Care	Low Rent Public Housing	Lower Income-HAP Section 8 Moderate Rehabilitation LA004MR0002
111	Cash-Unrestricted	\$974,172	\$0	\$1,013,749	\$39,212
113	Cash-Other Restricted	\$218,050	\$0	\$0	\$0
114	Cash-Tenant Security Deposits	\$14,384	\$0	\$123,733	\$0
100	Total Cash	\$1,206,606	\$0	\$1,137,482	\$39,212
121	Accounts Receivable-PHA Projects	\$0	\$0	\$0	\$0
122	Accounts Receivable-HUD Other Projects	\$0	\$0	\$0	\$0
125	Accounts Receivable-Miscellaneous	\$316,545	\$0	\$13,007	\$0
126	Accounts Receivable-Tenants-Dwelling Rents	\$3,121	\$0	\$26,717	\$0
128	Fraud Recovery	\$0	\$0	\$0	\$3,916
128.1	Allowance for Doubtful Accounts-Fraud	\$0	\$0	\$0	(\$3,916)
129	Accrued Interest Receivable	\$942	\$0	\$9,873	\$137
120	Total Receivables, net of allowance for doubtful accounts	\$320,608	\$0	\$49,597	\$137
131	Investments-Unrestricted	\$106,014	\$0	\$920,000	\$28,101
132	Investments Restricted	\$0	\$0	\$458,580	\$0
142	Prepaid Expenses and Other Assets	\$41,018	\$0	\$191,006	\$3,743
143	Inventories	\$0	\$0	\$21,241	\$0
144	Interprogram Due From	\$0	\$0	\$81,316	\$0
150	Total Current Assets	\$1,674,246	\$0	\$2,859,222	\$71,193
161	Land	\$62,227	\$0	\$731,054	\$0
162	Buildings	\$2,393,851	\$0	\$13,119,518	\$0
163	Furniture, Equipment & Machinery-Dwellings	\$99,082	\$0	\$1,080,853	\$0
164	Furniture, Equipment & Machinery-Administration	\$9,291	\$0	\$488,047	\$0
165	Leasehold Improvements	\$668,128	\$0	\$22,523,841	\$0
166	Accumulated Depreciation	(\$1,140,642)	\$0	(\$27,002,175)	\$0
160	Total Fixed Assets, Net of Accumulated Depreciation	\$2,091,937	\$0	\$10,941,138	\$0
174	Other Assets	\$0	\$0	\$0	\$0
180	Total Non-Current Assets	\$2,091,937	\$0	\$10,941,138	\$0
190	Total Assets	\$3,766,183	\$0	\$13,800,360	\$71,193
312	Accounts Payable<=90 days	\$0	\$0	\$17,388	\$0
312	Accounts Payable <=90 Days	\$0	\$0	\$0	\$0
322	Accrued Compensated Absences - Current Portion	\$762	\$0	\$11,449	\$0
331	Accounts Payable-HUD PHA Programs	\$0	\$0	\$0	\$17,293
333	Accounts Payable-Other Government	\$21,548	\$0	\$92,101	\$0
341	Tenant Security Deposits	\$14,384	\$0	\$123,733	\$0
345	Other Current Liabilities	\$523,437	\$0	\$510,661	\$0
346	Accrued Liabilities-Other	\$0	\$0	\$0	\$0
347	Interprogram Due To	\$14,074	\$0	\$0	\$1,577
310	Total Current Liabilities	\$574,205	\$0	\$755,332	\$18,870
354	Accrued Compensated Absences-Non Current	\$6,848	\$0	\$103,050	\$2,684
350	Total Noncurrent Liabilities	\$6,848	\$0	\$103,050	\$2,684
300	Total Liabilities	\$581,053	\$0	\$858,382	\$21,554
508	Total Contributed Capital	\$0	\$0	\$0	\$0
508.1	Invested In Capital Assets, Net of Related Debt	\$2,091,937	\$0	\$10,941,138	\$0
511	Total Reserved Fund Balance	\$0	\$0	\$0	\$0
511.1	Restricted Net Assets	\$218,050	\$0	\$460,824	\$0
512.1	Unrestricted Net Assets	\$875,143	\$0	\$1,540,016	\$49,639
513	Total Equity/Net Assets	\$3,185,130	\$0	\$12,941,978	\$49,639
600	Total Liabilities and Equity/Net Assets	\$3,766,183	\$0	\$13,800,360	\$71,193

Lower Income-HAP Section 8 Moderate Rehabilitation LA004MR0003	Housing Choice Vouchers	Public Housing Capital Fund Program	Disaster Voucher Program	Total
\$56,528	\$2,671,198	\$0	\$0	\$4,754,859
\$0	\$0	\$0	\$0	\$218,050
\$0	\$0	\$0	\$0	\$138,117
\$56,528	\$2,671,198	\$0	\$0	\$5,111,026
\$0	\$363	\$0	\$0	\$363
\$0	\$571,458	\$108,293	\$322,841	\$1,002,592
\$0	\$0	\$0	\$0	\$329,552
\$0	\$0	\$0	\$0	\$29,838
\$0	\$163,079	\$0	\$0	\$166,995
\$0	(\$163,079)	\$0	\$0	(\$166,995)
\$0	\$24,820	\$5,911	\$0	\$41,683
\$0	\$596,641	\$114,204	\$322,841	\$1,404,028
\$0	\$2,343,075	\$0	\$0	\$3,397,190
\$0	\$0	\$497,513	\$0	\$956,093
\$0	\$29,626	\$0	\$0	\$265,393
\$0	\$0	\$0	\$0	\$21,241
\$0	\$280,719	\$0	\$0	\$362,035
\$56,528	\$5,921,259	\$611,717	\$0	\$11,517,006
\$0	\$0	\$0	\$0	\$793,281
\$0	\$0	\$0	\$0	\$15,513,369
\$0	\$0	\$76,992	\$0	\$1,258,927
\$0	\$65,302	\$3,720	\$0	\$566,360
\$0	\$0	\$2,104,693	\$0	\$25,296,662
\$0	(\$39,458)	(\$177,518)	\$0	(\$28,359,793)
\$0	\$25,844	\$2,007,887	\$0	\$15,066,806
\$0	\$0	\$0	\$0	\$0
\$0	\$25,844	\$2,007,887	\$0	\$15,066,806
\$56,528	\$5,947,103	\$2,619,600	\$0	\$26,583,812
\$0	\$0	\$0	\$0	\$17,388
\$0	\$0	\$0	\$0	\$0
\$0	\$4,039	\$0	\$0	\$16,250
\$16,479	\$0	\$0	\$0	\$33,772
\$0	\$0	\$0	\$0	\$113,649
\$0	\$0	\$0	\$0	\$138,117
\$0	\$21,086	\$78,751	\$0	\$1,133,935
\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$29,543	\$316,841	\$362,035
\$16,479	\$25,125	\$108,294	\$316,841	\$1,815,148
\$0	\$36,352	\$0	\$0	\$148,934
\$0	\$36,352	\$0	\$0	\$148,934
\$16,479	\$61,477	\$108,294	\$316,841	\$1,964,080
\$0	\$0	\$0	\$0	\$0
\$0	\$25,844	\$2,007,884	\$0	\$15,066,803
\$0	\$0	\$0	\$0	\$0
\$0	\$0	\$503,422	\$0	\$1,182,296
\$40,049	\$5,859,782	\$0	\$6,000	\$8,370,629
\$40,049	\$5,885,626	\$2,511,306	\$6,000	\$24,619,728
\$56,528	\$5,947,103	\$2,619,600	\$322,841	\$26,583,812

Housing Authority of the City of Lake Charles
Lake Charles, Louisiana

FINANCIAL DATA SCHEDULE
For the Year Ended September 30, 2006

Line Item No.	Account Description	Business Activities	Shelter Plus Care	Low Rent Public Housing	Lower Income-HAP Section 8 Moderate Rehabilitation LA004MR0002
703	New Tenant Rental Revenue	\$329,991	\$0	\$1,342,745	\$0
705	Total Tenant Revenue	\$329,991	\$0	\$1,342,745	\$0
706	HUD PHA Operating Grants	\$0	\$2,323	\$1,295,737	\$205,523
706.1	Capital Grants	\$0	\$0	\$0	\$0
711	Investment Income-Unrestricted	\$31,805	\$0	\$87,110	\$4,249
714	Fraud Recovery	\$0	\$0	\$0	\$530
715	Other Revenue	\$97,118	\$0	\$1,660	\$0
716	Gain/Loss on Sale of Fixed Assets	(\$1,221)	\$0	(\$2,573)	\$0
720	Investment Income-Restricted	\$8,347	\$0	\$5,484	\$0
700	Total Revenue	\$466,040	\$2,323	\$2,730,163	\$210,302
911	Administrative Salaries	\$14,575	\$0	\$341,837	\$8,269
912	Auditing Fees	\$1,000	\$0	\$9,810	\$0
914	Compensated Absences	\$0	\$0	\$7,405	\$0
915	Employee Benefit Contributions-Administrative	\$5,881	\$0	\$153,060	\$3,996
916	Other Operating-Administrative	\$32,732	\$662	\$174,332	\$4,148
921	Tenant Services-Salaries	\$3,614	\$0	\$100,590	\$342
923	Employee Benefit Contributions-Tenant Services	\$1,458	\$0	\$41,851	\$283
924	Tenant Services-Other	\$0	\$0	\$18,199	\$0
931	Water	\$11,163	\$0	\$172,647	\$153
932	Electricity	\$24,199	\$0	\$93,504	\$298
933	Gas	\$11,312	\$0	\$51,870	\$0
941	Ordinary Maintenance and Operations-Labor	\$31,439	\$0	\$421,253	\$0
942	Ordinary Maintenance and Operations-Materials and Other	\$11,360	\$0	\$189,373	\$23
943	Ordinary Maintenance and Operations-Contract Costs	\$32,215	\$0	\$199,526	\$4,098
945	Employee Benefit Contributions-Ordinary Maintenance	\$15,745	\$0	\$199,092	\$0
952	Protective Services-Other Contract Costs	\$4,495	\$0	\$87,535	\$0
961	Insurance Premiums	\$78,001	\$0	\$325,982	\$3,962
962	Other General Expenses	\$0	\$0	\$2,750	\$0
963	Payments in Lieu of Taxes	\$27,443	\$0	\$98,100	\$0
964	Bad Debt-Tenant Rents	\$6,788	\$0	\$37,543	\$0
966	Bad Debt-Other	\$0	\$0	\$0	\$0
968	Severance Expense	\$0	\$0	\$0	\$0
969	Total Operating Expenses	\$313,420	\$662	\$2,726,259	\$25,572
970	Excess Operating Revenue over Operating Expenses	\$152,620	\$1,661	\$3,904	\$184,730
972	Casualty Losses-Non-Capitalized	\$1,351	\$0	\$4,837	\$0
973	Housing Assistance Payments	\$0	\$1,661	\$0	\$187,119
974	Depreciation Expense	\$94,367	\$0	\$1,256,440	\$0
900	Total Expenses	\$409,138	\$2,323	\$3,967,536	\$212,691
1010	Total Other Financing Sources (Uses)	\$0	\$0	\$0	\$0
1000	Excess-Deficiency of Operating Revenue Over (Under) Expenses	\$56,902	\$0	(\$1,257,373)	(\$2,389)
1102	Debt Principle Payments	\$0	\$0	\$0	\$0
1103	Beginning Equity	\$3,128,228	\$0	\$14,199,351	\$52,028
1104	Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0	\$0	\$0	\$0
1113	Maximum Annual Contributions Commitment (Per ACC)	\$0	\$0	\$0	\$298,183
1114	Prorata Maximum Annual Contributions Applicable to a Period of less than Twelve Months	\$0	\$0	\$0	\$0
1115	Contingency Reserve, ACC Program Reserve	\$0	\$0	\$0	\$100,461
1116	Total Annual Contributions Available	\$0	\$0	\$0	\$398,644
1117	Administrative Fee Equity	\$0	\$0	\$0	\$0
1118	Housing Assistance Payments Equity	\$0	\$0	\$0	\$0
1120	Unit Months Available	1,428	39	9,996	504
1121	Number of Unit Months Leased	1,052	39	8,989	466

Lower Income-HAP Section 8 Moderate Rehabilitation LA004MR0003	Housing Choice Vouchers	Public Housing Capital Fund Program	Disaster Voucher Program	Total
\$0	\$0	\$0		\$1,672,736
\$0	\$0	\$0		\$1,672,736
\$152,367	\$7,196,209	\$158,631	\$2,519,602	\$11,530,392
\$0	\$0	\$772,265	\$0	\$772,265
\$3,139	\$116,331	\$0	\$0	\$242,634
\$379	\$18,140	\$0	\$0	\$19,049
\$0	\$228,509	\$0	\$0	\$327,287
\$0	\$0	(\$1,483)	\$0	(\$5,277)
\$0	\$0	\$17,689	\$0	\$31,520
\$155,885	\$7,559,189	\$947,102	\$2,519,602	\$14,590,606
\$5,907	\$292,215	\$0	\$0	\$662,803
\$0	\$3,000	\$2,000	\$0	\$15,810
\$0	\$0	\$0	\$0	\$7,405
\$2,854	\$133,795	\$0	\$0	\$299,586
\$3,425	\$74,137	\$8,888	\$228,509	\$526,833
\$244	\$25,520	\$120,333	\$0	\$250,643
\$202	\$12,305	\$0	\$0	\$56,099
\$0	\$0	\$0	\$0	\$18,199
\$109	\$740	\$0	\$0	\$184,812
\$213	\$25,000	\$0	\$0	\$143,214
\$0	\$217	\$0	\$0	\$63,399
\$0	\$0	\$0	\$0	\$452,692
\$17	\$1,065	\$27,412	\$0	\$229,250
\$2,927	\$92,997	\$0	\$0	\$331,763
\$0	\$0	\$0	\$0	\$214,837
\$0	\$0	\$0	\$0	\$92,030
\$2,830	\$54,874	\$0	\$0	\$465,649
\$0	\$1,308	\$0	\$0	\$4,058
\$0	\$0	\$0	\$0	\$125,543
\$0	\$0	\$0	\$0	\$44,331
\$0	\$0	\$0	\$0	\$0
\$18,728	\$717,173	\$158,633	\$228,509	\$4,188,956
\$137,157	\$6,842,016	\$788,469	\$2,291,093	\$10,401,650
\$0	\$0	\$0	\$0	\$6,188
\$139,325	\$1,806,435	\$0	\$2,285,093	\$4,219,633
\$0	\$7,776	\$124,008	\$0	\$1,482,591
\$158,053	\$2,331,384	\$282,641	\$2,513,602	\$9,897,368
\$0	\$0	\$0		\$0
(\$2,168)	\$5,227,805	\$684,461	\$6,000	\$4,693,238
\$0	\$0	\$0	\$0	\$0
\$42,217	\$657,821	\$1,846,846	\$0	\$19,928,491
\$0	\$0	\$0	\$0	\$0
\$208,963	\$0	\$0	\$0	\$507,146
\$0	\$0	\$0	\$0	\$0
\$202,346	\$0	\$0	\$0	\$302,807
\$411,309	\$0	\$0	\$0	\$809,953
\$0	\$850,621	\$0	\$0	\$850,621
\$0	\$5,035,005	\$0	\$0	\$5,035,005
360	11,732	-	6,772	30,831
339	4,516	-	6,772	22,173

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2006

Federal Grantor/Pass-through Grantor/Program Name	OFDA Number	Grant Number	Grants		Grants	
			Receipts	Expenditures	Receipts	Expenditures
Department of Housing and Urban Development						
PHA Owned Housing	14850	FW1132	1,295,737	\$ 1,295,737	-	-
Public Housing Capital Fund		FW1132				
2002 Capital Grant	14872	LA-48P004601-02	105,149	105,149	1,461,917	1,461,917
2003 Capital Grant	14872	LA-48P004601-03	624,692	717,875	998,663	1,101,521
2003 Capital Grant Addition	14872	LA-48P004602-03	5,000	7,872	201,380	204,251
2004 Capital Grant	14872	LA-48P004601-04	-	-	171,975	171,975
2005 Capital Grant	14872	LA-48P004601-05	100,000	100,000	100,000	100,000
Section 8 Moderate Rehabilitation	14866	FW2074	391,661	357,880	-	-
Disaster Voucher Program	14DMP		2,519,602	2,519,602		
Section 8 Housing Choice Vouchers	14871	FW2238V	7,104,138	7,196,209	-	-
Shelter Plus Care Renewal	14238	LA-48C40-1001	2,323	2,323	8,936	8,936
PHA Drug Elimination Program- 2001	14854	LA-48DEF0040101	-	-		
				<u>\$ 12,302,657</u>		

See accompanying notes to Schedule of Expenditures of Federal Awards.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Notes to the Schedule of Federal Financial Assistance

For the Year Ended September 30, 2006

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of all federal awards programs of the Housing Authority of The City of Lake Charles (the Authority). The Authority's reporting entity is defined in Note 1 of the notes to the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Authority's basic financial statements.

Note 3 - Relationship to Basic Financial Statements

Federal awards revenues are reported in the Authority's basic financial statements as follows:

<u>Federal Sources</u>	<u>Amount</u>
General	\$ 2,226,633
Section 8	<u>10,076,024</u>
	<u>\$12,302,657</u>

Note 4 - Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

Tax
Accounting and Auditing
Financial Planning and Forecasting
Estate Planning
Management Advisory Services
Small Business Accounting Services

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

MEMBERS

Board of Commissioners
Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Robert G. Dunn
CPA



**DUNN, ROBERTS
& COMPANY, LLC**

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Housing Authority of The City of Lake Charles as of and for the year ended September 30, 2006, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Sara A. Roberts
CPA

Internal Control Over Financial Reporting

Donita G. Heims
CPA

In planning and performing our audit, we considered the Housing Authority of The City of Lake Charles' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of The City of Lake Charles' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.



DUNN, ROBERTS
& COMPANY, LLC

This report is intended solely for the information and use of the Board, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the office of the Louisiana Legislative Auditor as a public document.

Dunn, Roberts & Company, LLC

DUNN, ROBERTS & COMPANY, LLC

Lake Charles, Louisiana
March 15, 2007

Tax
Accounting and Auditing
Financial Planning and Forecasting
Estate Planning
Management Advisory Services
Small Business Accounting Services

**Report on Compliance With Requirements Applicable to Each Major
Program and on Internal Control Over Compliance in Accordance With
OMB Circular A-133**

MEMBERS

Robert G. Dunn
CPA



**DUNN, ROBERTS
& COMPANY, LLC**

Board of Commissioners
Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

Compliance

We have audited the compliance of the Housing Authority of The City of Lake Charles with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. The Housing Authority of The City of Lake Charles' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of The City of Lake Charles' management. Our responsibility is to express an opinion on the Housing Authority of The City of Lake Charles' compliance based on our audit.

Sara A. Roberts
CPA

Donita G. Helms
CPA

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of The City of Lake Charles' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority of The City of Lake Charles' compliance with those requirements.

In our opinion, the Housing Authority of The City of Lake Charles, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2006-01.

Internal Control Over Compliance

The management of the Housing Authority of The City of Lake Charles is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of The City of Lake Charles' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a *reportable condition*. Reportable conditions involve matters coming to our attention relating to significant control deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Housing Authority of The City of Lake Charles' ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-01.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be *reportable conditions* and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.



DUNN, ROBERTS
& COMPANY, LLC

This report is intended solely for the information and use of the Board, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the office of the Louisiana Legislative Auditor as a public document.

Dunn, Roberts & Company, LLC

DUNN, ROBERTS & COMPANY, LLC



DUNN, ROBERTS
& COMPANY, LLC

Lake Charles, Louisiana
March 15, 2007

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2006

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Housing Authority of The City of Lake Charles.
2. There were no reportable conditions required to be disclosed by *Government Auditing Standards* issued by the Comptroller General of the United States.
3. There were no instances of noncompliance considered material, as defined by the *Government Auditing Standards*, to the financial statement.
4. One reportable condition in internal control over major federal award programs disclosed during the audit is reported in the report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133. The condition is not reported as a material weakness.
5. The auditors' report on compliance for the major federal award programs for the Housing Authority of The City of Lake Charles expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510 (a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major program included:
 - a. Lower Income Housing Assistance Program – CFDA 14.856
 - b. Section 8 Housing Choice Voucher Program – CFDA 14.871
 - c. PHA Owned – Low Rent Public Housing– CFDA 14.850
 - d. Public Housing Capital Fund Program – CFDA 14.872
8. The threshold for distinguishing Types A and B programs was \$369,080.
9. The Housing Authority of The City of Lake Charles was determined to be a low-risk auditee.

B. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS AUDIT

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
CFDA #14.856 – LOWER INCOME HOUSING ASSISTANCE PROGRAM

REPORTABLE CONDITION

2006-01 Rent Calculation Error

Condition: Of the 20 files tested for the Lower Income Housing Assistance Program, 1 file contained a rent calculation error. The rent calculation error was the result of an applicant's bi-weekly hours being included in the income calculation. The net effect of the error resulted in no overpayment by the Department of Housing and Urban Development.

continued

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended September 30, 2006

2006-01 Rent Calculation Error - Continued

Criteria: 24CFR 5.609 (a) (2) states that annual income is the income anticipated to be received from a source outside the family during the 12-month period following admission or annual reexamination effective date.

Effect: Calculation errors could result in the Authority being responsible for the reimbursement of residents for their overpayment. In addition, HUD does not reimburse for the underpayment of subsidies.

Recommendation: Existing procedures should be strengthened concerning the approval of tenant files prior to housing tenants.

Response: The Housing Authority of The City of Lake Charles does have policies and procedures in alliance with HUD regulations regarding annual income. The Housing Authority of the The City of Lake Charles will more closely monitor procedures to ensure that only those variables relevant to the income calculations will be included in the computation.

The in-service programs begun have provided detailed instructions on the computation of annual income, use of the EIV (Enterprise Income Verification), childcare allowances, filing procedures and the importance of documentation in every tenant file.

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

CORRECTIVE ACTION PLAN FOR CURRENT YEAR FINDINGS AND
QUESTIONED COSTS

For the Year Ended September 30, 2006

Reference # and Title: 2006-01 Rent Calculation Errors

Description of Finding: A rent calculation error existed in 1 of the 20 files tested. The rent calculation error was the result of an applicant's bi-weekly hours being included in the income calculation. The net effect of the error resulted in no overpayment by the Department of Housing and Urban Development existed

Corrective Action Planned: The Housing Authority of The City of Lake Charles does have policies and procedures in alliance with HUD regulations regarding annual income. The Housing Authority of the City of Lake Charles will more closely monitor procedures to ensure that only those variables relevant to the income calculations will be included in the computation.

We feel that the actions taken above will help to either reduce or eliminate errors in rent calculation completely; therefore, lessening the probability of overpayment of rental subsidy by HUD or the underpayment of rent by the tenant and ensuring accountability by the caseworkers and managers.

Name of Contact Person: S. Benjamin Taylor, Executive Director and
Debbie Doshier, Section 8 Housing Program Manager
Housing Authority of The City of Lake Charles
P.O. Box 1206
Lake Charles, Louisiana 70602-1206
(337) 439-4189 or (337) 436-7628

Anticipated Completion Date: April 5, 2007

Housing Authority of The City of Lake Charles
Lake Charles, Louisiana

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended September 30, 2006

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FINDING: 2005-01 – Tenant File Calculation Errors

Condition: The finding was a reportable condition stating that 2 of 29 files tested contained rent calculation errors. In each instance, no overpayment by the Department of Housing and Urban Development existed.

Recommendation: The auditor recommended procedures be strengthened concerning the approval of tenant files prior to housing tenants.

Current Status: The recommendation was adopted in April 2006. No similar findings were noted in the 2006 audit as it related to the Section 8 Housing Choice Voucher Program. It should be noted that a reportable condition was found in the Lower Income Housing Assistance Program and is referenced as reportable condition # 2006-01.